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INDEX:

(1) Tokyo metro gov't sets up panel on Yokota airbase dual use: Gov. Ishihara

(2) Implementation of report by Takenaka-led telecommunications and broadcasting panel difficult with no support from Koizumi in his final days in office

(3) The challenges of a resources-poor country -- energy security (Part 4): China casts blight on Japan's LNG purchase plan from Sakhalin

(4) The challenges of a resources-poor country (Chapter 3)-Energy security (Part 5): Japan a big LNG power; Close encounters of rivals on procurement market

(5) Chinese Embassy puzzled by Metropolitan Police Department's request for counselor's appearance for questioning

ARTICLES:

(1) Tokyo metro gov't sets up panel on Yokota airbase dual use: Gov. Ishihara

TOKYO SHIMBUN (Page 25) (Full)
June 7, 2006

The Tokyo metropolitan government has set up a joint panel with Tokyo Metropolitan University to study the joint military-civilian use of the US Air Force's Yokota base, Tokyo Governor

Shintaro Ishihara clarified in a policy speech before the Tokyo metropolitan assembly in its regular session that opened yesterday.

The panel, named the "Committee on the Feasibility of Joint Military-Civilian Use," held its first meeting last month. The committee, chaired by Hitotsubashi University President Takehiko Sugiyama, will study the feasibility of commercial airline flight services to and from the airbase and will work out a report within the current fiscal year (TN: April 2006 through March 2007).

Last month, Japan and the United States released a final report of their agreement on the planned realignment of US forces in Japan. The Japanese and US governments will start their study of specific conditions for the dual use of Yokota airbase and will wind up their study within 12 months, the final report says.

The metropolitan assembly will be in session until June 21.

(2) Implementation of report by Takenaka-led telecommunications and broadcasting panel difficult with no support from Koizumi in his final days in office

TOKYO SHIMBUN (Page 3) (Abridged)
June 7, 2006

An advisory panel to Internal Affairs and Communications Minister Heizo Takenaka produced its final report yesterday on future options for telecommunications and broadcasting, outlining ways to realign NHK and NTT, with the abolition of its holding company and the separation of equity links in mind. The report aims for

advancing a fusion of telecommunications and broadcasting. But it undeniably lacks punch due to political pressure against the backdrop of growing industrial opposition to swift reform. The Liberal Democratic Party has also produced its own plan. The fate of Takenaka's last reform effort under the Koizumi administration remains extremely vague.

Greater competitiveness

Before kicking off discussion on a fusion of telecommunications and broadcasting, Takenaka lamented, "Why can't we watch live television broadcasting on the Internet? Why is Japan devoid of decent television broadcasters that can send out messages overseas, like America's CNN and Britain's BBC?"

Fearing a loss of the industrial edge in the near future due to shrinking population resulting from the dropping birthrate, Takenaka is determined to enhance Japan's capability to produce quality contents in order for Japan to remain competitive in the world.

The final report proposes abolishing the holding company of NTT, which remains highly monopolistic in infrastructure. It also calls for a review of the legislative system to pave the way for production companies that tend to rely on television stations to become independent.

A lack of punch

The council discussion gradually lost zeal.

Initially, an idea surfaced to integrate all government agencies responsible for telecommunications and broadcasting, such as the Internal Affairs and Communications Ministry and the Economy, Trade and Industry Ministry, into one office. But such an idea failed to make the final report. The idea of partially privatizing NHK also disappeared with Prime Minister Junichiro Koizumi's order to reform the public broadcaster without privatizing it.

The Livedoor scandal played a certain role in Koizumi's decision to reject NHK privatization. Koizumi's from-the-public-sector-to-

the-private-sector policy course and Takenaka, the champion of market forces, drew fierce fire following the Livedoor scandal. The industries also resorted to the telecom and broadcasting policy cliques in the LDP to turn the tables.

Takenaka intended to bulldoze the council's draft plan through the Prime Minister's Official Residence on the strength of Koizumi's leadership despite strong opposition from the LDP policy cliques and bureaucrats. But that did not work this time around.

A counter-plan

An LDP panel chaired by Toranosuke Katayama also produced a counter-plan on June 2. The LDP plan partially overlaps with the Takenaka report, such as enhancing NHK's international broadcasting.

But the LDP plan remains cautious about realigning NTT. It also calls for a thorough discussion on the propriety of IP multicast broadcasting apparently in consideration of commercial television

networks, which regard Internet-based nationwide broadcasting as a threat.

After coordinating views with the LDP, Takenaka aims to reflect plans in the government's set of "big-boned" economic and fiscal policy guidelines. The LDP intends to take the leadership in the process, one saying: "There is no need for us to make concessions." Takenaka might find himself in a disadvantageous position in the closing days of the Koizumi administration on the wane.

(3) The challenges of a resources-poor country -- energy security (Part 4): China casts blight on Japan's LNG purchase plan from Sakhalin

SANKEI (Page 3) (Full)
June 4, 2006

It was some 40 kilometers northward from Cape Soya in Hokkaido. It was Russia's Sakhalin Oblast, a far north island where the temperature in midwinter drops to 30 degrees below zero. Ample energy resources not yet developed sit beneath the ground there.

One hour's drive from Sakhalin's capital, Yuzhno-Sakhalinsk, brings you to a coastal area where you can see an extensive site of 520 hectares along the coast. A liquefied natural gas (LNG) plant is under construction there. It will become one of the largest such plants in the world. This project is called Sakhalin ¶2. The project will begin the supply of LNG in the summer of ¶2008. The buyers of nearly 50% of the production at the plant will be Japanese electric power and gas companies. Their annual purchase volume will be more than 4 million tons, approximately 10% of Japan's demand for LNG.

In Sakhalin, nine energy development projects, including Sakhalin 2, are afloat. They are drawing close attention of energy officials across the world. Sakhalin's major industries were fishery and forestry in the past, but now it is in an "energy rush." Luxury homes and hotels are being constructed there.

The southern part of Sakhalin was once Japan's territory. Sakhalin has close links to Japan. In order to tap resources, Japan concluded a contract with the former Soviet government on development of resources in 1975 and advanced the development as a national project. Japan invested more than 30 billion yen out of the state coffers in the development project through loans or financing by, for instance, the former Japan National Oil Corporation, and discovered oil and gas fields. This project was followed by the Sakhalin 1 project.

Sakhalin 1 launched the commercial production of oil and natural gas last October. This project is led by ExxonMobil, one of the US oil majors, and joined by Japanese companies, such as Itochu

Corp., Marubeni Corp., and Japex. Sakhalin 1 initially had a plan to supply natural gas to Japan, which is geographically close to Sakhalin. But there is no clear outlook at present for the plan to be put into practice.

A major obstacle is how to transport the gas to Japan. According to the Sakhalin 1 project's plan, gas will be pipelined to Japan, which is said to be the most economical of all options. Japan is the largest natural gas importer, which imports more than 40% of the total LNG sold on the world markets. LNG is transportable by

ship to a power plant on a coastal area, but transportation via the pipeline is not adaptable. A procurement official at an electric power company is cautious about buying gas from Sakhalin 1: "If they lay a pipeline to our power plant, we will consider the purchase of gas from them."

"Could you allow us to supply gas first to China?" Exxon said this to Japanese electric power companies, out of irritation. It then began gas supply talks with China. But the negotiations have run into difficulties, leaving open who will buy the gas.

A fresh move was observed this past April over the Sakhalin projects. It was a secret visit to Japan by Russia's state-run oil company Rosneft President Sergei Bogdanchikov. Rosneft, whose shares are all in the possession of the Russian government, plans to go public. Bogdanchikov is looking for underwriters in traveling across the world. Reportedly he visited several banking institutions in Japan.

"That is a manifestation of Russia emphasizing the Japanese market," explained Sumitomo Corp. Special Advisor Kosaburo Morinaka, chair of the Far East Department of the Japan Business Federation (Nippon Keidanren), referring to Bogdanchikov's visit to Japan. Rosneft has been concerned with the development of resources under Sakhalin 1. If Morimoto were correct, Exxon should again approach Japan. A rumor flying among concerned officials is that Sakhalin 1 and Sakhalin 2 will be integrated to make it easy for Japan to buy the natural gas.

The Japanese government is a stockholder of Sakhalin Oil and Gas Development Company (SODECO), which has participated in the Sakhalin 1 project, as the government took over the investment by the former Japan National Oil Corporation in Sakhalin 1. The participants in the project can share profits in accordance with their rights to the project whoever will buy the gas from the project. But if the gas produced by the project were to be sold to China, Japan's attitude that it has participated in the project as a national project would be called into question.

(4) The challenges of a resources-poor country (Chapter 3)-Energy security (Part 5): Japan a big LNG power; Close encounters of rivals on procurement market

SANKEI (Page 3) (Abridged)
June 5, 2006

In the summer of 2004, Chiyoda Corporation President and CEO Nobuo Seki visited Doha, the capital city of Qatar, where Seki met with an executive of Qatar Liquefied Gas Co., Ltd., or Qatargas. This Qatari executive whispered into Seki's ear, "The successful bidder of this plant will take all other projects."

In those days, Chiyoda Corp. was aiming for the world's largest liquefied natural gas (LNG) project in Qatar, which planned an annual output of 15 million tons. It was a big business chance for 400 billion yen. According to the Qatargas executive, the winner of this LNG project was expected to become an exclusive contractor on all other projects following the LNG project. It was an all-or-nothing challenge. "We've got to win." With this, Makoto Okubo, Chiyoda Corp. general manager for the Middle East region, went on negotiating tenaciously with his Qatari business counterparts on the basis of explanatory materials piled up to the height of several meters.

There was a response. In the 1990s, Qatar had its first LNG plant built. Chiyoda Corp. was the contractor on that LNG plant project and a "reliable partner" endorsed by its technical know-how and steadiness.

"We'll bring the letter of intent." The good news came to Chiyoda Corp. CEO Seki and GM Okubo in late 2004, a half year after the Qatari executive whispered into Seki's ear.

In the 1990s and afterward, Chiyoda Corp. used to undertake a 50% share on the global market of LNG plant construction projects, including foreign joint ventures, with JGC Corporation winning a 30% share. Japanese manufacturers know how to best meet the characteristics of gasses produced overseas and how to cool gasses in large quantities to liquids. Foreign companies cannot easily vie with the technologies of Japanese plant exporters.

Qatar, a small country of the same size as Akita Prefecture, has the world's third largest amount of natural gas reserves. In 2010, Qatar will increase its annual LNG production capacity from the level of 6 million tons in the 1990s to 77 million tons, aiming for No.1 in the world. In Qatar, Chiyoda Corp. became a successful bidder of three plant projects in 2005, following its successful bids in 2004. Its contracts in Qatar totaled 1.35 trillion yen, an unprecedented scale in the industry. It was a fruit of winning the Qatari government's all-out confidence.

Plant construction is now going on at a high pitch in the northern Qatari industrial complex city of Ras Laffan, where Chiyoda Corp.'s engineers are spearheading 25,000 on-site workers from about 30 countries to build production lines with an overall length of more than 200 meters. "No one but Chiyoda can build high-quality plants on time," Okubo said proudly.

Japan is the world's largest LNG importer accounting for 40% of the world's LNG procurement. The United States and European countries receive natural gas supplies through pipelines from natural gas fields. Japan, however, is far from natural gas fields, so Japan has to ship liquefied gasses for its city gas users and power plants. Japan, which has high technologies for plant construction and has much demand, is literally a big LNG power.

However, a Japanese developer of natural resources was recently shocked at the words of a high-ranking official of the Qatari government. "Three years ago," this Qatari official told the Japanese developer, "we needed Japanese cooperation." The official added, "But now, there are many inquiries from other foreign companies."

Meanwhile, India began two years ago to import LNGs against the backdrop of its rapidly increasing demand for energy resources. China also started in May to import LNGs. The United States will increase its annual LNG imports from the current level of several million tons to 100 million tons in 2025. Kang Wu, a senior fellow at the East-West Center, a US think tank, warns: "The United States may become a rival of Japan in LNG acquisition."

The LNG procurement market is no longer for Japan only and is now a main stage to scramble for natural resources. Can Japan remain a big LNG power? With the advent of powerful rivals, Japan's LNG procurement strategy is at a crossroads.

(5) Chinese Embassy puzzled by Metropolitan Police Department's request for counselor's appearance for questioning

SENTAKU (Page 98) (Abridged slightly)
June 2006

The arrest of Chinese Business Consultancy President Zhang Jian

by the Metropolitan Police Department Public Safety Bureau on suspicion of helping another Chinese man obtain residential status by lying to immigration authorities has sent shockwaves through the Chinese Embassy in Tokyo.

Zhang has often entertained Counselor Teng Anjun, who heads the Consular Section, on the golf course and at posh restaurants and bars on holidays. In addition, a law center, the predecessor of Chinese Business Consultancy, was located in the Chinese Embassy. The Public Safety Bureau twice asked Counselor Teng to appear for questioning.

Teng is one of six persons who entered Soka University as the first formal group of Chinese exchange students after Japan normalized diplomatic relations with China. Cheng Yonghua, who served until recently as minister to Japan, is also one of the six former students. Cheng, who did not get along well with Ambassador Wang Yi, is now ambassador to Malaysia.

The Public Safety Bureau's request for Teng's appearance has stirred a variety of conjectures, such as that it is intended to check the New Komeito's tendency to drift away from the Liberal Democratic Party, or that it reflects the National Police Agency's intention to track the movements of Counselor Li Dong -- not Teng -- who is also one of the six former Chinese students and a former executive member of the Chinese Communist Party International Liaison Department. Learning of such conjectures through Soka Gakkai, the Chinese Embassy is having a hard time determining their authenticity.

At least for the time being, public security authorities aim to find out the actual situation of the Japan-China council promoting China's peaceful reunification, for which Zhang Jian serves as vice chairman. Authorities are watching closely the organization as a new body to work out maneuvers against Taiwan in place of the Chinese Party United Front Department.

SCHIEFFER